

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 /077 W
-----241748Z 024671 /50

R 241707Z MAY 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8499
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 08842

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING MAY 23)

1. CENTRAL BANK MONEY:
IN APRIL, CENTRAL BANK MONEY, SEASONALLY ADJUSTED,
DECLINED DM 0.5 BILLION BRINGING THE TOTAL VOLUME DOWN
TO DM 122.0 BILLION. IN THE PERIOD JANUARY-APRIL,
CENTRAL BANK MONEY, FIGURED AT AN ANNUAL RATE INCREASED
BY 4.3 PERCENT. FOR THE YEAR-TO-DATE, THEREFORE, THE
CENTRAL BANK MONEY GROWTH RATE IS RUNNING CONSIDERABLY
BELOW THE 6 1/2 PERCENT ANNUAL GROWTH RATE WHICH MUST
BE MAINTAINED IN 1977 IN ORDER TO REACH THE 8 PERCENT
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(AVERAGE 1977 OVER AVERAGE 1976) MONETARY TARGET OF THE
BUNDESBANK.

2. FOREIGN EXCHANGE MARKET:
IN CALM TRADING THE DOLLAR MOVED VERY LITTLE AGAINST THE
DEUTSCHEMARK IN THE REPORTING PERIOD. FRANKFURT SPOT
AND FORWARD DOLLAR RATES FOR THE PERIOD MAY 17-24 WERE

AS FOLLOWS:

FORWARD DOLLARS

SPOT DOLLARS (IN PCT. PER ANNUM)

OPENING FIXING CLOSING ONE-MONTH THREE-MONTH

MAY 17	2.3600	2.3608	2.3590	-1.5	-1.9
18	2.3542	2.3545	2.3560	-1.8	-2.0
19	GERMAN HOLIDAY				
20	2.3560	2.3594	2.3595	-2.2	-2.2
23	2.3582	2.3593	2.3625	-1.9	-2.1
24	2.3645	2.3637	N.A.	N.A.	N.A.

3. BUNDESBANK FOREIGN POSITION:

DURING THE PERIOD MAY 8-15 THE BUNDESBANK'S NET FOREIGN POSITION INCREASED BY DM 0.4 BILLION TO DM 84.2 BILLION. FOREIGN EXCHANGE HOLDINGS INCREASED BY DM 70 MILLION, GERMANY'S IMF GOLD TRANCHE POSITION DECLINED BY DM 29 MILLION AND SDR HOLDINGS BY DM 17 MILLION. LIABILITIES AGAINST THE EUROPEAN FUND FOR MONETARY CO-OPERATION INCREASED BY DM 58 MILLION WHILE OTHER FOREIGN LIABILITIES DECLINED BY ABOUT DM 440 MILLION.

4. BANK LIQUIDITY:

DURING THE SAME PERIOD BANK LIQUIDITY INCREASED BY DM 1.8 BILLION. FACTORS INCREASING LIQUIDITY WERE THE ABOVE-MENTIONED INCREASE IN THE BUNDESBANK'S FOREIGN POSITION, A DM 0.8 BILLION DECLINE IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK, AND THE USUAL DECLINE IN CURRENCY UNCLASSIFIED

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IN CIRCULATION IN THE SECOND WEEK OF A MONTH (DM 0.8 BILLION). A FACTOR REDUCING BANK LIQUIDITY WAS A DM 0.2 BILLION INCREASE IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK.

THE BANKS USED THE INCREASE IN LIQUIDITY TO REDUCE THEIR BORROWINGS UNDER THE SPECIAL REDISCOUNT FACILITY BY DM 1.8 BILLION.

5. BOND MARKET:

THE MARKET FOR DOMESTIC BONDS REMAINED CALM WITH PRICES

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FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 /077 W
-----241749Z 024665 /50

R 241707Z MAY 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8500
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
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MOSTLY UNCHANGED. ACCORDING TO THE PRESS, AVERAGE
CURRENT YIELDS OF DOMESTIC BONDS BROKEN DOWN BY REMAINING
MATURITY ARE AS FOLLOWS:

REMAINING MATURITY							
(YEARS)	1	3	5	7	9	10	
	---	---	---	---	---	---	
YIELD TO MATURITY							
MAY 20	4.75	5.45	5.95	6.30	6.55	6.65	
MAY 13	4.75	5.50	5.95	6.30	6.50	6.60	

ON THE MARKET FOR FOREIGN DM BONDS THE FOLLOWING NEW
ISSUES ARE CURRENTLY BEING OFFERED:
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PROVINCE OF QUEBEC: DM 150 MILLION, COUPON 7 1/4
PERCENT, ISSUE PRICE 100, MATURITY 10 YEARS;
COMMISSION FEDERAL DE ELECTRICIDAD, MEXICO: DM 100
MILLION, 8 PERCENT, 100, 7 YEARS.

6. MONEY MARKET:

THE MINOR TAX DATE IN MAY AND SOME RESTOCKING OF THE BANKS' RESERVE POSITIONS AT THE BUNDESBANK CONTRIBUTED TO A SLIGHT INCREASE IN CALL MONEY RATES DURING THE PAST WEEK. FOR THE PERIOD UNDER REVIEW, FRANKFURT INTER-BANK RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH	THREE-MONTH
MAY 17	3.7-3.9	4.20	4.35
18	3.8-4.0	4.20	4.35
19	GERMAN HOLIDAY		
20	3.8-4.1	4.00	4.20
23	4.0-4.2	4.10	4.30

7. BUNDESBANK ON 1976 FINANCIAL DEVELOPMENTS:

IN ITS MAY MONTHLY REPORT THE BUNDESBANK, REPORTING ON 1976 FINANCIAL DEVELOPMENTS, NOTED THAT GERMAN FIRMS INCREASED INVESTMENTS (EXCLUDING INVESTMENT IN HOUSING) BY DM 30 BILLION WHICH WAS 25 PERCENT MORE THAN IN 1975. ALMOST HALF OF THE INCREASE (43 PERCENT) REFLECTED REPLENISHMENT OF INVENTORIES. FIRMS WERE ABLE TO FINANCE ABOUT 90 PERCENT OF THEIR INVESTMENT WITHOUT RECOURSE TO CAPITAL MARKETS, E.G. THROUGH RETAINED EARNINGS AND DEPRECIATION. AT THE END OF 1976 OUTSTANDING LIABILITIES OF GERMAN FIRMS TOTALLED DM 720 BILLION, OF WHICH ABOUT 2/3 WERE BANK CREDITS AND ABOUT 20 PERCENT CREDITS FROM FOREIGNERS. OUTSTANDING BONDS AMOUNTED TO ONLY DM 30 BILLION (4 PERCENT OF TOTAL LIABILITIES). IN 1976, FIRMS FOR THE

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FIRST TIME INVESTED CONSIDERABLE AMOUNTS IN BONDS (DM 5 BILLION, OR 11 PERCENT OF THEIR 1976 MONETARY INVESTMENTS).

IN 1976 PRIVATE HOUSEHOLDS SAVED DM 106 BILLION, OR 14 1/2 PERCENT OF THEIR DISPOSABLE INCOME. THIS RATIO IS SOMEWHAT LOWER THAN IN 1975 WHEN THE SAVINGS RATIO WAS 16 PERCENT. A FACTOR IN THIS DEVELOPMENT WAS THAT HOUSEHOLDS INCREASED PURCHASES OF CARS AND OTHER DURABLE GOODS WHICH HAD BEEN POSTPONED IN THE RECESSION PERIOD. MOREOVER, SOME SPECIAL FACTORS RESULTING FROM THE 1975 TAX AND CHILDREN ALLOWANCES REFORM NO LONGER ADDED TO HOUSEHOLD INCOME IN 1976.

THE DEFICITS OF PUBLIC AUTHORITIES DECLINED SUBSTANTIALY IN 1976, FALLING FROM DM 60 BILLION IN 1975 TO DM 45 BILLION IN 1976. THE DECLINE REFLECTED BOTH HIGHER

REVENUES (PLUS 12 PERCENT AS COMPARED WITH AN INCREASE
OF 3 1/2 PERCENT IN 1975) AND A LOWER GROWTH FOR
EXPENDITURES (7 1/2 PERCENT AGAINST 14 1/2 PERCENT IN
1975).

8. ECONOMIC INDICATORS PUBLISHED THIS WEEK:

SEASONALLY ADJUSTED BUNDESBANK DATA

DEC. JAN. FEB. MARCH

RETAIL SALES VOLUME

(1970 EQUALS 100) 116 118 117 ---

VOLUME OF TRADE

(DM BILLION)

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 /077 W

-----241750Z 024699 /50

R 241707Z MAY 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8501

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS
AMCONSUL FRANKFURT

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EXPORTS	15.58	15.89	15.99	17.12
IMPORTS	14.57	14.36	14.12	14.84
BUILDING PERMITS FOR				
HOUSING UNITS				
(1970 EQUALS 100)	78	72	73	73

JAN.	FEB.	MARCH	APRIL
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LIVING COSTS
(1970 EQUALS 100) 143.7 144.3 144.8 145.3
SAAR 1/ 5.0 5.0 4.2 4.1
INDUSTRIAL PRODUCER
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PRICES
(1970 EQUALS 100) 143.3 143.1 143.4 143.8
SAAR 1/ 2.5 -1.7 2.5 3.3
AGRICULTURAL PRODUCER
PRICES
(1970 EQUALS 100) 147.7 147.5 146.6 ---

L/ CHANGE FROM PRECEDING MONTH AT ANNUAL RATE.

NON-SEASONALLY ADJUSTED FIGURES

(PERCENT CHANGE FROM PREVIOUS YEAR'S LEVEL)

JAN.	FEB.	MARCH	APRIL
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INDUSTRIAL PRO-
DUCER PRICES 4.2 3.8 3.7 3.4

STOESSEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Copy: SINGLE
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Litigation History:
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Secure: OPEN
Status: NATIVE
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TAGS: EFIN, GE
To: STATE TRSY
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vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/54cf568b-c288-dd11-92da-001cc4696bcc
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22 May 2009
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